The Department of the Navy Financial Management Information Technology Portfolio Management and Navy ERP Update

Presented by:

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The DON Financial Management Vision Aligns the DON with the goals and direction of the DoD Enterprise Architecture.

- Provide accurate, timely, and reliable financial information to decision makers
- Provide an automated environment to support the efficient production of auditable financial statements
- Support business process standardization
- Support the use of a “common language” (USSGL)
- Reduce disparate IT systems
- Enhance “Enterprise” integration
- Reduce long-term IT costs

Framework for DON Business Transformation Involves Four Key Elements. Successful Business Transformation Will Support Auditable Financial Statements

- DoD Business Enterprise Architecture… **Blueprint**
  - Standardize business processes & provide data standards
  - Requires systems portfolio management
- Navy ERP… **Cornerstone**
  - Implement a modern, integrated COTS software product
  - Reengineer business processes
- Functional Area Manager Process… **Transition Tool**
  - Rationalize FM and Business systems… portfolio management
  - Standardize business processes
- DON Financial Improvement Initiative…**Integrating Plan**
  - Considers/integrates elements of Systems, Processes and Human Capital
  - Documents Business Processes for Audit

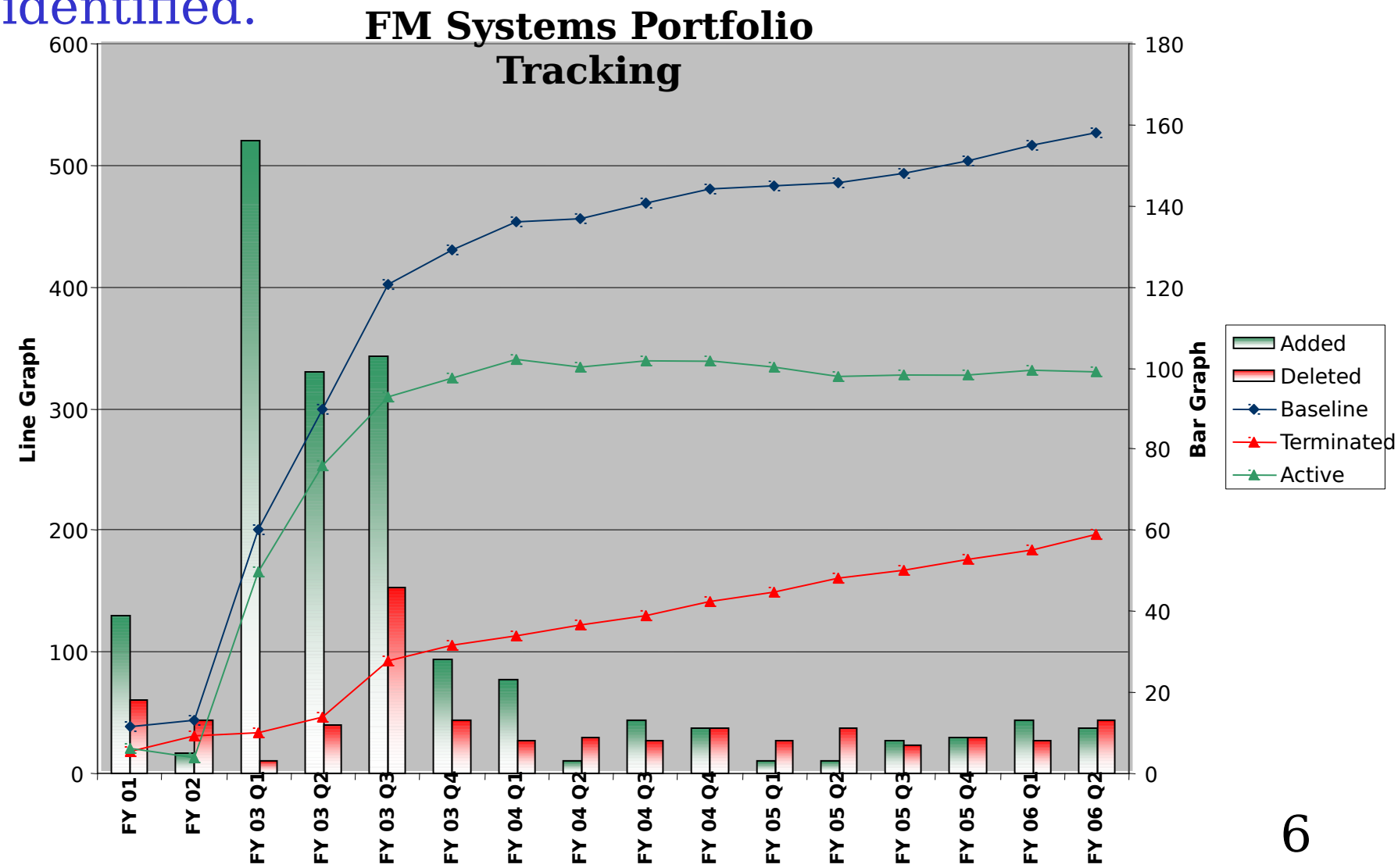
The FM Functional Area Manager (FAM) manages the FM Information Technology (IT) Systems portfolio.

- FM FAM responsible and accountable for:
  - Overseeing the reduction, migration, consolidation or retirement of FM IT systems/applications and databases;
  - Standardization FM business processes and procedures
  - Review FM systems for certification
  - Coordinate efforts with BTA, NMCI, DON management commands
- FM FAM Progress:
  - Baseline: 528 FM Systems
  - Current: 331 FM Systems
  - Terminated: 197 FM Systems

System Rationalization and Consolidation provides varying benefits to the DON.

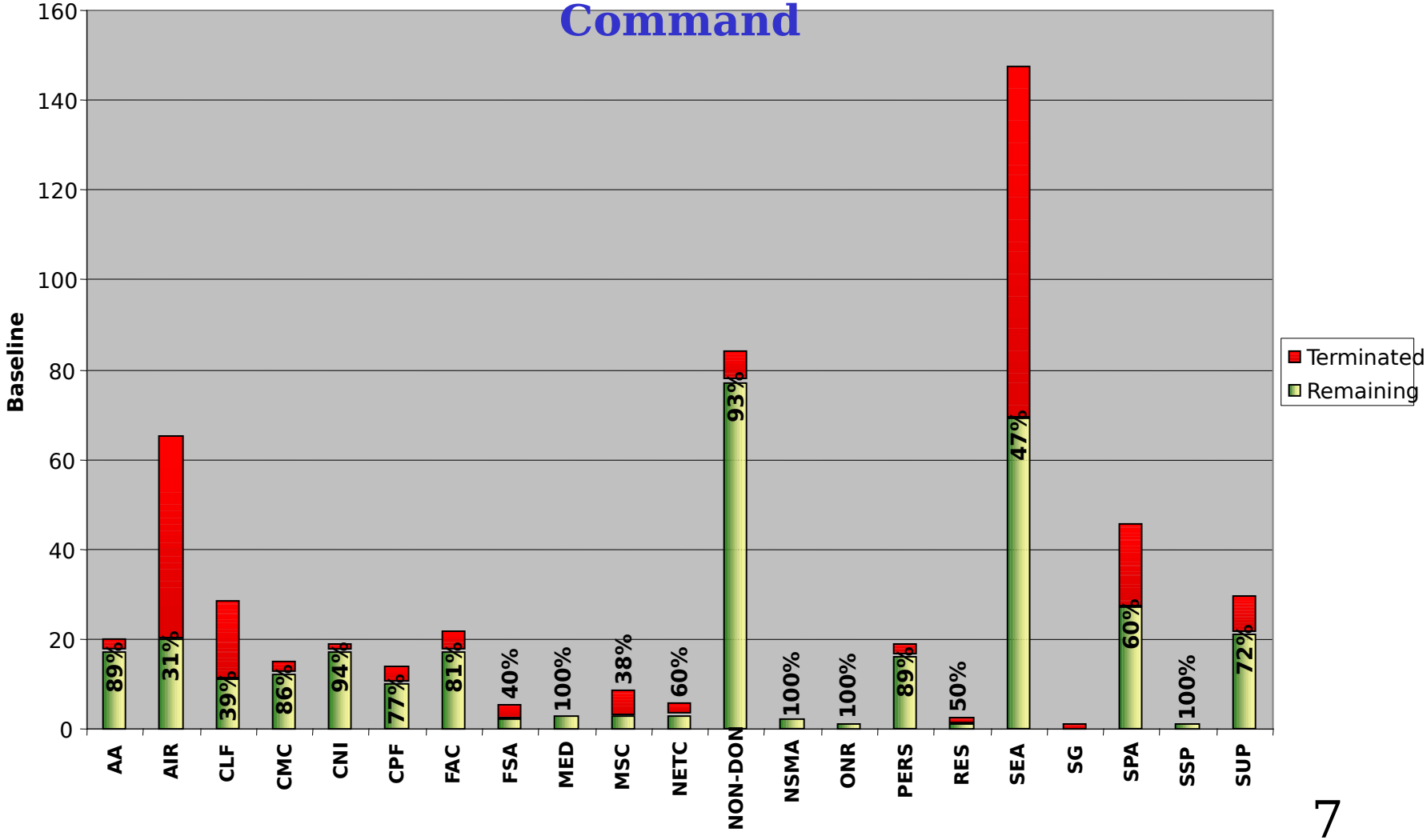
- Reduced Costs
  - Maintenance
  - Training
- Increased Standardization
  - Similar systems and processes across commands
- Reduced Security Risks
- Increased Interoperability
  - Less System Interfaces
- Enhanced Reporting Capabilities
  - Tie Budget with Accounting/Performance Results

While the FM FAM has been successful in eliminating systems, our net total remains virtually unchanged because of additional systems being identified.

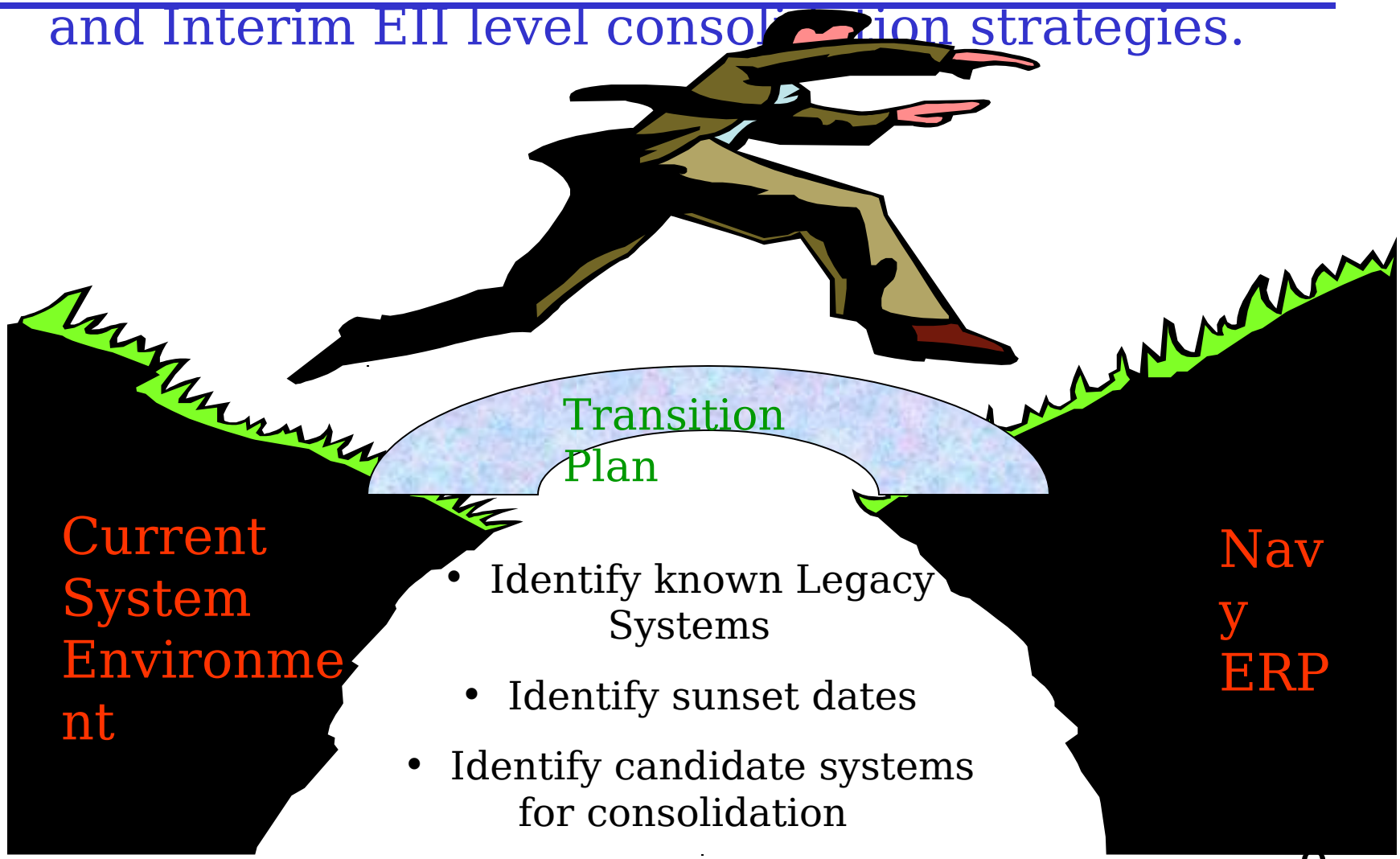


Within the FM FAM, Major Commands have been reducing their systems at different rates. But more work needs to be done.

Remaining and Terminated Systems by Major Command



Therefore, the FM FAM and Major Commands (EIIs) need to develop a Transition Plan. This plan should include both long term Navy ERP and Interim EII level consolidation strategies.


Transition Plan
Current System Environment
Navy ERP
• Identify known Legacy Systems
• Identify sunset dates
• Identify candidate systems for consolidation
• Target: 1 System per EII per functionality

Understanding the planned/actual costs of of IT development and operations is critical for portfolio management. Therefore, better Budget visibility is essential.

- Requirement:
  - All systems, networks, websites, and related IT items should be separately delineated, with the proper Appropriation funding in the DON IT Budget (NITESTAR).
  - RDT&E or WCF CPP funds should be used for all system development/ deployment in excess of $250K/$100K respectively.
- Failure to comply may lead to:
  - Catch-all “Other System Support” funding lines being eliminated.
  - FAM disapproval (for systems not separately identified).
- Elimination of funding
  - For systems not registered in DADMS/DITPR
  - For systems not FAM approved or allowed (includes AWR/AIW)

FAM portfolio management will assess budgets and may result in a realignment of funding.

- Projected funding beyond system sunset date will be eliminated.
- Funding for legacy systems prior to cutover to Navy ERP may be phased out.
- Funding for DON enterprise wide solutions may be increased (including Navy ERP and/or interim systems).
- Funding may be realigned to assist in the enhancement of interim systems if it means other legacy systems can be terminated.
- In the future, funding may be realigned to central program offices.

Meanwhile, we must meet various DoD Business System certification, architecture, security, and reporting requirements.

- ✓ Defense Business Systems Management Committee (DBSMC) approval is required for all Business System development/ modernization in excess of $1 million. Other systems must be reviewed annually.
- ✓ Registered in the DoD Information Technology Portfolio Repository (DITPR) (via the DITPR-DON).
  - ✓ The BTA Investment Review Boards (IRB) are using DITPR as their data source for portfolio management and certification/ annual review.
- ✓ IT investments must be in compliance with the DoD Business Enterprise Architecture (BEA).
  - ✓ Implement Standard Financial Information Structure (SFIS).
- ✓ Meet Federal Information Security Management Act (FISMA), Privacy Impact Assessment (PIA), and E-Authentication requirements (OMB requirements).

OSD has created a “Federated” approach for review and approval of all system investments, culminating with the DBSMC. This process is done in DITPR.

Approval/Certification Tiers 1-3 (Dev/Mod ≥ $1 Million)

- ✓DBSMC Approves
- ✓IRBs reviews and signs off

Annual Review Tier 4 (Dev/Mod ≤ $1 Million)

- ✓DONCIO/PCA reviews and signs off
- ✓FAM/Service CIO reviews and signs off
- ✓EII IO, EII BSO reviews and signs off
- ✓PM/CDA completes and signs off

Note: All Tiers need to go through DON Review. Only Tiers 1-3 need OSD review.

As part of the DBSMC approval process, we must demonstrate compliance with the DoD BEA.

- Identify and be in compliance with the BEA standard for:
  - ✓ Operational Activity (OV-5) (I.e Taxonomy)
  - ✓ Business Rule (OV-6A)
  - ✓ Data Elements (OV-7)
  - ✓ Operational Exchanges (OV-3)
- Non-Compliant Systems must:
  - ✓ Identify the conditions under which the system should be certified;
  - ✓ Identify the date on which the conditions expect to be satisfied;
  - ✓ State any risks or dependencies for meeting the conditions
- Comply with all Federal accounting, FM, and reporting requirements.
  - ✓ Produce timely, accurate, and reliable financial information for management purposes on a routine basis.
  - ✓ Provide for the systematic measurement of performance, including the ability to produce timely, relevant, and reliable cost information.
  - ✓ Integrate budget, accounting, and program information and systems using Standard Financial Information Structure (SFIS).

The Primary BTA Financial "Standard", measuring BEA compliance is SFIS. The SFIS - Phase I ~~consists of 62 Data Elements. Other data elements~~ are expected to follow

SFIS Data Elements

Appropriation Account Information (26)

- ✓Department Regular
- ✓Department Transfer
- ✓Main Account
- ✓Sub Account
- ✓Apportionment Category
- ✓Receipt Indicator Sub Classification
- ✓Period of Availability
- ✓Reimbursable Flag
- ✓Fund Type
- Advance Flag
- ✓Authority Type
- ✓Availability Time
- Borrowing Source
- ✓Definite Indefinite Flag
- Public Law Number
- Product Report Code
- ✓TAFS Status
- Year of Budget Authority
- Direct Transfer Agency
- Direct Transfer Account
- Transfer to From

Transactional Information (19)

- Transaction Type
- ✓USSGL Account Number
- ✓Debit/Credit
- ✓Begin/End Indicator
- ✓Transaction Effective Date
- ✓Transaction Post Date
- ✓Transaction Amount
- ✓Allocation Unique Identifier
- Exchange/Non Exchange Indicator
- Custodial/Non Custodial Indicator
- ✓Foreign Currency Code
- Country Code
- Entity/Non Entity Indicator
- Covered/ Non Covered Indicator
- ✓Current/ Non Current
- ✓Demand Unique Identifier

Organizational Information (3)

- ✓Organization Unique Identifier
- ✓Agency Disbursing Identifier
- ✓Agency Accounting Identifier

Trading Partner Information (3)

- ✓Federal/ Non Federal Indicator
- ✓Trading Partner Indicator
- ✓Trading Partner Number

Budget Program Information (8)

- Budget Function/ Sub Function
- ✓Budget Activity
- ✓Budget Sub Activity
- ✓Budget Line Item
- ✓Major Acquisition
- ✓Object Class Contingency Code
- ✓BEA Category Indicator

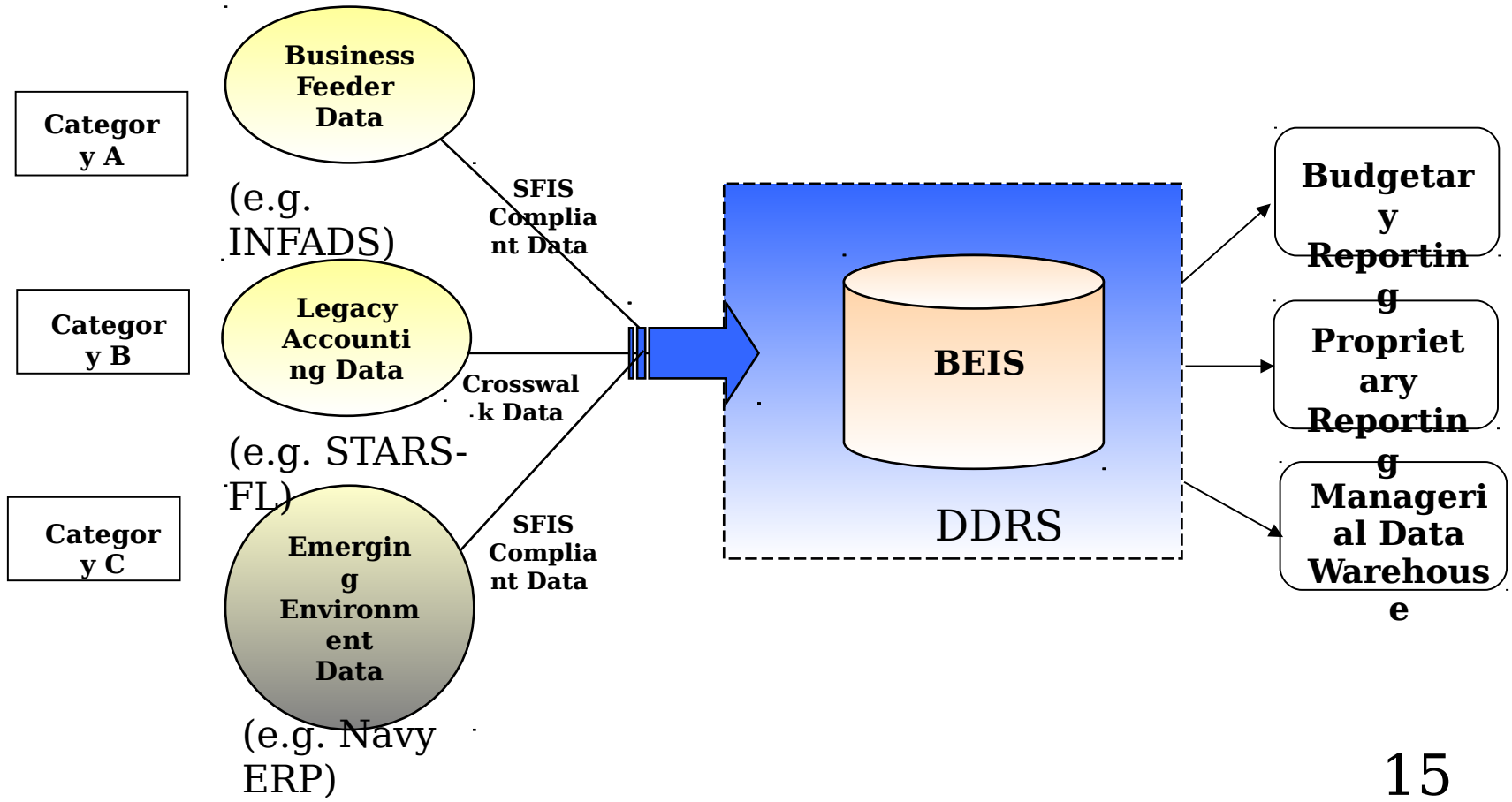
Cost Accounting Information (3)

- Transactional Quantity
- Asset Type
- Asset Unique Identifier

✓ = Mapped in Navy ERP

The current Phase 1 - SFIS implementation strategy consists of a combination of built-in capabilities, and/or crosswalks depending on the life-cycle status of the system.

GOAL: Sending SFIS compliant data from Legacy, Business Feeder, and Emerging systems to BEIS



The DON also needs to ensure that their IT Systems are compliant with FISMA, PIA, and E-Authentication Standards.

Requirement:

- Office of Management and Budget (OMB), DoD, and DON Requirement
- Requires Security Assessment and Certification/Authority to Operate (ATO) for all Information Management systems regardless of size, complexity
  - May have Interim Authority to Operate (IATO) for about 6 months.
  - IATOs don't count from an OMB perspective
- Most smaller "Business" systems never had this accreditation

Why do we care:

- OMB, OSD, and DON threatening to withhold funding (this year)
- NETWARCOM threatening to disallow use effective 1 October 2006.
- May affect the way we pass data/conduct business

In summary, there is a lot of work to do to meet the FM FAM portfolio management goals and requirements.

- Systems need to be further rationalized and consolidated.
- Detailed transition plans to Navy ERP and Interim Solutions need to be developed.
- Budgets need to provide better visibility of IT investments.
- Systems must be registered in DITPR.
- Development/Modernization investments must be certified.
- System Alignment with the BEA (e.g. SFIS) needs to be documented.
- FISMA, PIA, and E-Authentication requirements need to be met.

A lot has happened with the Navy ERP in the past year!

- Blueprinting/Programming for initial rollout focused on maintenance functionality.
- A complete program review was conducted to validate the viability, resources, and schedule.
- The “Re-baselined” program now focused on Acquisition/Program Management.
- Implementation planning to include data conversion, testing, and training is currently underway.

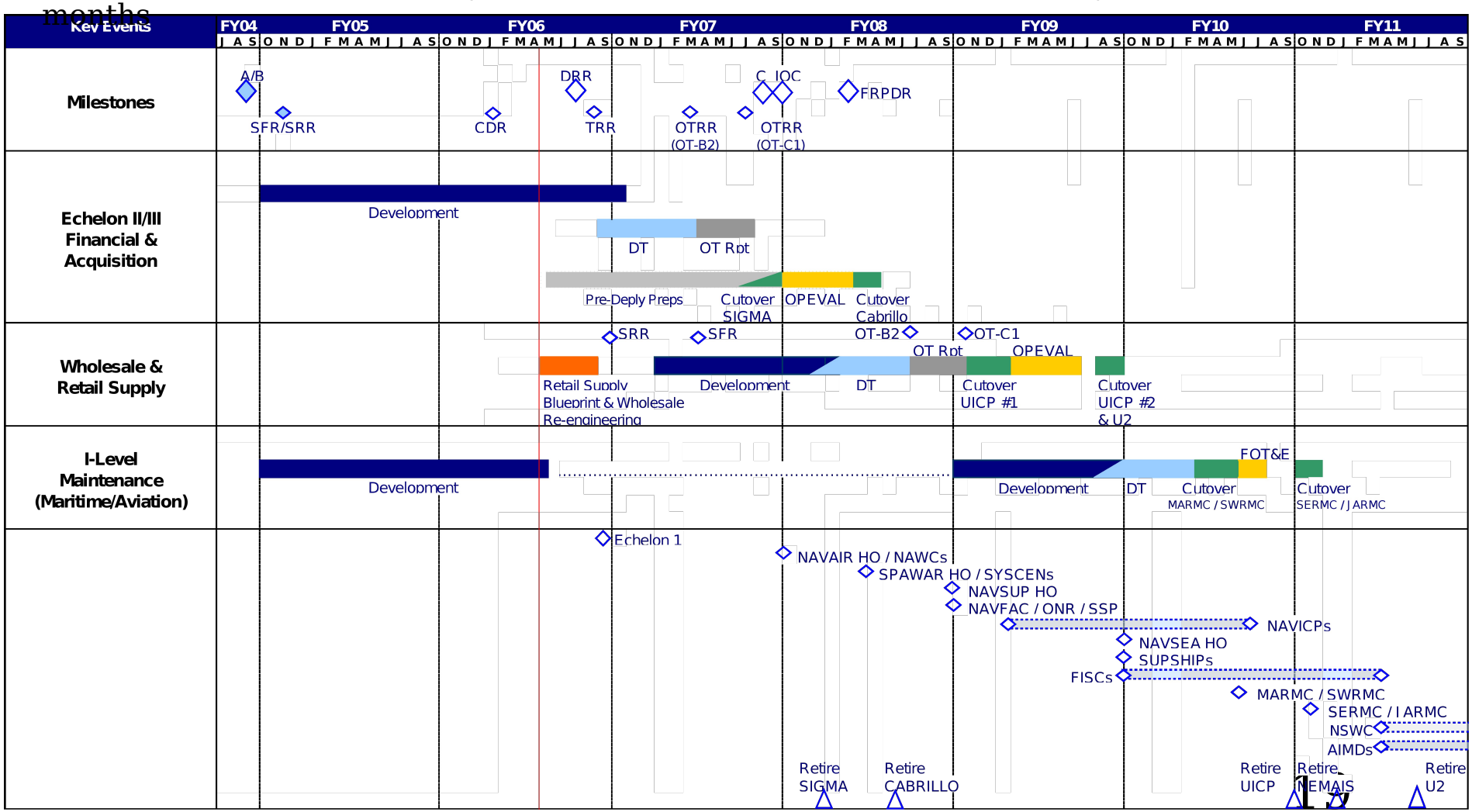
Financial Management functionality continues to be a key element in any deployment schedule - just about every Plant/Material/Asset/ Workforce management and acquisition/logistics transaction generates a financial transaction event and a

The proposed “Rebaselined” schedule reflects Initial Go-Live at NAVAIR HQ and NAWCs.

Changes from PB07:

Wholesale Supply delayed 4 months; Regional Supply delivered 2 months early

Maritime Maintenance delayed 44 months; Aviation Maintenance delayed 16 months



Program Functionality

Finance (General Fund)
Budgeting
Billing
Business Warehouse
Cost Planning
DFAS Interfaces
Direct Cite
Travel (DTS)
Echelon I Fin Accounting
External Procurement
Fixed Assets
General Fund Accounting
MISIL (Foreign Military Sales)
Period End Close
Portals (Basic Log In)
Credit Card
Project Mgmt

Finance (NWCF)
Billing
Budgeting
Cost Revenue & Planning
Credit Card
DFAS Interfaces
Travel (DTS)
Echelon III Fin Reporting
External Procurement
Fixed Assets
Managerial Accounting
NWCF Accounting
Period End Close
Project Mgmt

Maintenance (Core)
Calibration
LOGBOOK
Master Specifications
Material Requirements Planning
Quality Management
Shop Floor
Maint. Event

Maintenance (Maritime)
Maintenance Figure Of Merit (MFOM)
Regional Maintenance Automated Information System (RMAIS)
Unclassified Navy Nuclear Propulsion Information (UNNPI)

Maintenance (Aviation)
Aviation FDSs
NOFORN

Plant Supply (Core)
Order Fulfillment
Environmental Health & Safety (EH&S)
Warehouse Mgmt
Physical Inventory
Consignment
Serial No. Tracking
DLMS/MILSTRIP
Inventory Mgmt

Plant Supply (HQ)
Shipping and Requisition Form (DD-1149)
Enterprise Buyer Professional

Retail Supply
Inventory Mgmt
Order Fulfillment
Supply & Demand Processing
Consignment
Supply Forecasting
Warehouse Mgmt

Wholesale
Allowance
Supply & Demand Planning
Supply Outfitting
Carcass Tracking
Order Fulfillment
Supplier Relationship Mgt
Supply Forecasting
Inventory Mgmt
Packaging Handling Storage & Transportation
Provisioning
Consignment
Repairables Management
Environmental Health & Safety (EH&S)

WFM
Automated Identification Technology
Organization Mgmt
Personnel Admin
Personnel Development
Time Management
Training & Events Mgmt
Business Warehouse
Awards
Budget Exhibits
Echelon II Fin Reporting
Engineering Change Management
Production Planning
Standard Procurement System
Contract
NOFORN
Reporting

Deployment Order:

- Echelon I
- Ech. II/III Financial & Acquisition
- Supply
- Maintenance

Note: Does not include Shipyard / Depot Back Office nor I-D Integration for RMC / FRC

The initial increment of Navy ERP will be delivered to the following locations over the next five years.

Weapon Systems & Acquisition, Maintenance & Supply Support Commands

- Echelon 1 and 2 Financials
  - CNO (FMB/N8)
  - Echelon 2 Financial Offices
- Aviation Value Chain
  - NAVAIR
    - HQ
    - NAPRA/NAMRA
    - TSD Orlando
    - NATEC
  - Naval Air Warfare Centers
- Fleet
  - Fleet Forces Command HQ
  - Aviation Intermediate Maintenance Depots
  - Regional Maintenance Centers
  - Measure Operational Control Centers
  - Remote Calibration Labs
- Maritime Value Chain
  - NAVSEA HQ
  - NAVSEA Logistics Centers
  - NAVSEA Warfare Centers
  - Naval Submarine Support Facility New London
  - SUBMEPP Portsmouth
  - SSP HQ
- Supply Value Chain
  - NAVSUP HQ
  - Naval Inventory Control Point
  - Fleet Industrial Support Centers
  - Fleet Supply Activities
- C4I Value Chain
  - SPAWAR HQ
  - SPAWAR System Centers
- NAVFAC HQ
- ONR HQ

Deployment of Echelon I to II functionality will be the prototype.

- Scheduled to deploy in October 2006
- Gradual replacement of PBIS
  - Oct. 2006 – Replace GL for PBIS
- PBIS interface to Navy ERP
  - Post allocations from the Echelon 1 to Echelon 2 level by Appropriation, Line Item and Budget Submitting Office
  - PBIS transactions triggered by fund allocation document
  - Navy ERP will post budget data creating both proprietary and budgetary USSGL postings
- Echelon I general ledger data will produce monthly feed to STARS-FDR – Oct. 06
- Ultimate goal is for Navy ERP to feed DDRS with full Release 1.0
- Sites:
  - FMB (approx. 10 users)
  - Echelon 1 and 2 finance offices (# of users TBD)

Navy ERP is not just a replacement of the pilots – there have been significant Business Reengineering Activities.

- Establishment of Enterprise-wide business processes leads to increased efficiency and auditability and improved quality of information to support decision making. For example Navy ERP will:
- Incorporate the Standard Financial Information Structure (SFIS)
- Perform “entitlement” functions
  - Use DLA model but improve it
  - DFAS involved in design effort
- Used for Receipt / Acceptance process
  - WAWF / WINS / EDI
- Standard USSGL throughout Navy
- Standard Rates for GF – cost and billing
- Re-engineered Purchase-card process
- Re-engineered Year End Close process

Navy ERP implementation team working together in a number of areas that are key to successful financial management solution implementation.

- Navy ERP implementation team consists of representatives from:
  - Navy ERP program office
  - Implementation sites
  - DFAS
  - ASN(FM&C)
- Issues we are currently focusing on:
  - Data Clean-up
  - Data Conversion
  - SFIS/BEA Compliance
  - Testing FM requirements

FMO provides a variety of services to support Navy ERP.

- Provide financial management regulation guidance to the design of the Navy ERP system.
  - Ensure the Navy ERP solution is designed within the USSGL account structure
  - Ensure DoD business rules are followed in specific solutions to issues such as Labor, Purchase Card, and Direct Cite
  - Ensure OSD SFIS elements do not conflict with FACTS II data elements
- Working with OSD to gain understanding of SFIS elements
- Perform Financial Compliance assessment

Data Clean-up and Conversion is critical to a successful Navy ERP implementation.

- Not just the responsibility of legacy systems converting to Navy ERP
  - All FM systems must ensure compliance with applicable laws and regulations regarding periodic reviews, reconciliations, and physical inventories
  - Clean up erroneous data
  - Document write-off authority
- When converting to Navy ERP (or any new system)
  - Ending balances in legacy should equal beginning balances in the target system
  - A documented audit trail detailing any discrepancies is mandatory
- FMO developed a detailed Data Conversion Checklist
  - Distributed to the Commands – August 2005
  - More data cleansing guidance is available in the OSD EI Toolkit

The conversion validation process includes the following:

- Review conversion plan(s)
  - Review Conversion Plan for applicable site(s)
  - Review the Navy ERP extract document for each site
  - Validate level of detail to be converted
  - Evaluate data “clean-up” plan against the Data Cleansing/Data Conversion Checklist
  - Validate legacy systems ending balances to Navy ERP beginning balances
- Exit Criteria
  - All points on the Data Cleansing/Data Conversion Checklist are validated and documented
  - Legacy Accounting systems ending balances match Navy ERP beginning balances
  - Documented audit trail for legacy system ending balances to Navy ERP beginning balances

Financial Compliance Assessment of Navy ERP

- In evaluating the Navy ERP system for financial compliance, FMO is working with the Navy ERP Program Management Team
  - Evaluate Financial Compliance policies/regulations of the Navy ERP solution
  - Conduct Financial Compliance evaluation concurrent with Navy ERP testing schedule
  - Conduct a full DFAS Blue Book evaluation on the Navy ERP solution prior to go live
  - Evaluate the SFIS/BEA compliance of the Navy ERP solution
  - Review Key Financial business processes to ensure reengineering has occurred where needed

Financial Compliance Assessment will be executed in phases

- Six Phased Approach
  - Phase 1: Compliance Testing Preparation
  - Phase 2: Participate in Navy ERP testing – Integration/Interface test
  - Phase 3: Conduct the Financial Compliance Test
  - Phase 4: Analyze Financial Compliance Test Results
  - Phase 5: Write Final Report of results from the Financial Compliance Test
  - Phase 6: Post Go-Live System Validation

An iterative integrated process that identifies deficiencies along the way to provide timely feedback and allow ample opportunity for correction

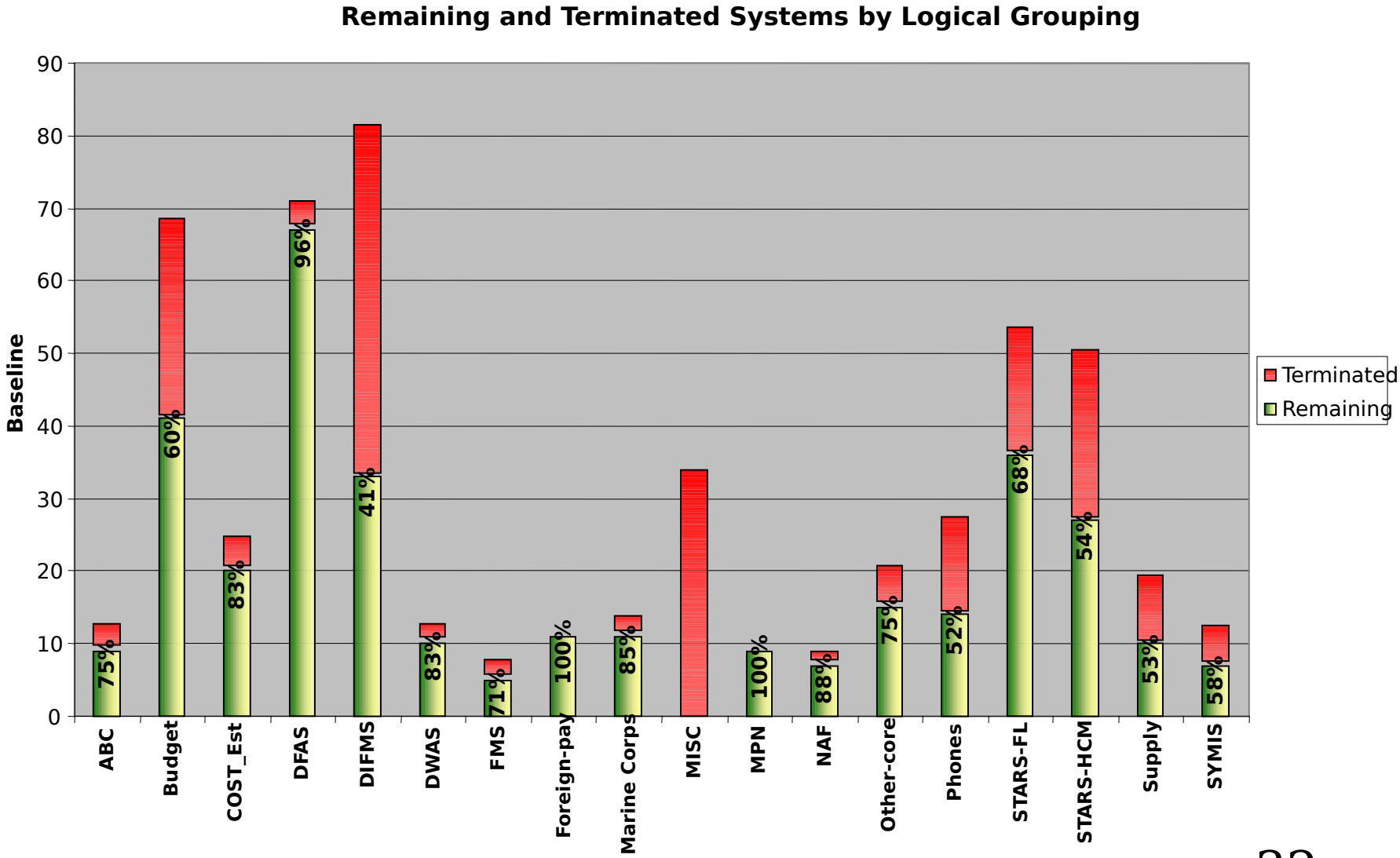
Summary

- FMO is fully committed to support Navy ERP as the target solution for achieving a vision of improved, integrated, and compliant financial management.
- We are working with the BTA, FMB, the Navy ERP Program Office, and implementation sites to ensure we have the right solution.

- For additional information, please contact:
  - **Beverly.Veit@navy.mil**
  - **William.Aldrich@navy.mil**

BACK-UP

The reduction of FM FAM systems can also be viewed by logical groupings. Again, the reduction is occurring at different rates per group.



Key elements for a FM Transition Plan include:

- ✓ The current FM plan is that Navy ERP will be the cornerstone for financial management at all DON commands.

- ✓ Each Echelon II should develop their own Interim FM Transition Plans with Navy ERP as their end-state solution.

✓

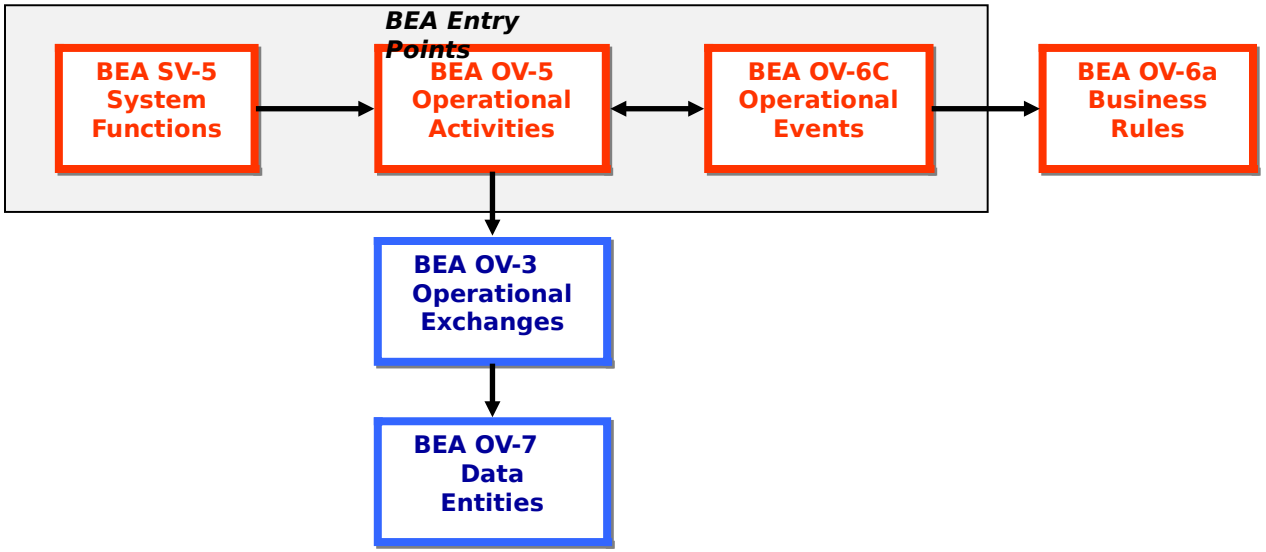
  - Target one system across EII per functional capability
  - Develop Notional time-phased transition plan
  - Identify Legacy systems complete with sunset dates
  - EII submits their Plan to FM FAM for Approval

  - ➢ Systems only used by one UIC are prime candidates for consolidation
  - ➢ EII IT Budget should aligned with FM FAM approved EII Transition Plan

Central Program Office concept

- Concept:
  - To transfer the design, management, maintenance, and training functions of interim FM Enterprise-wide systems solutions from current EII program managers to a central program manger/central design agent.
- Strategy:
  - Migrate ownership of EII owned systems, including supporting budget and personnel.
  - Establish Joint Requirements Board (JRB) from user community to direct modifications
- Rationale
  - Dedicated personnel for universal training/support
  - JRB weighs requirements for entire community, no longer single command perspective
  - Eliminates duplicative developmental efforts
  - Identification of opportunities to consolidate
- Implementation:
  - FASTDATA Program Office established as prototype
  - Other systems to follow
  - Initially, Program Office will operate and maintain all systems in parallel.
  - Over time, systems will be consolidated and/or eliminated as future modifications/capabilities are developed.

Below is a graphical depiction of the interrelationship of the various BEA architectural views that a “To-Be” system must comply.



BEA Entry Points

- **Operational Activities** (OV-5)
- **System Functions** (SV-5)
- **Operational Events** (OV-6c)

Architecturally Derived Touch Points

- **Controls (Requirements)** (OV-5)
- **Business Rules** (OV-6a)
- **Data Entities** (OV-7)

The following is the process to be followed to assess BEA compliance.

1. Identify Relevant Activities

a. Identify those OV-5 Node Tree Activities within the BEA that are Supported by the candidate system using one of the following methods:

i. Select Activities directly from the OV-5 Activity Model

ii. Derive Activities from the capabilities or system functions listed in the SV-5 Activity-Capability-Function Matrix;

iii. Derive Activities from the OV-6C Process Model

2. Assess Activity Control Compliance

a. Identify controls for each applicable OV-5 Activity that refer to policy, law, and regulatory requirements;

b. Assess whether the system enforces or will enforce these controls as part of its functionality.

3. Assess Business Rule Compliance

a. Identify the corresponding OV-6C Processes for each activity selected;

b. Identify the OV-6A Business Rules that control each OV-6C Process; and

c. Assess whether the system enforces or will enforce the Business Rules as part of its functionality

4. Assess Data Compliance

a. Identify the OV-5 Inputs and Outputs that are applicable to the system for each activity selected;

b. Identify the OV-3 Information Exchange Requirements that corresponds to the full set of Inputs and Outputs, and compile a corresponding list of OV-7 Data Entities that supports